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# BAUCUS LEADS SENATE EFFORTS TO PASS OVER \$950 BILLION IN TAX RELIEF FOR INDIVIDUALS, SMALL BUSINESSES

Finance Chairman: Tax Relief Measures are Already Helping Families, Creating Jobs

Washington, DC – With filing day approaching, Senate Finance Committee Chairman Max Baucus (D-Mont.) today hailed the more than \$950 billion in individual and small business tax relief enacted in the last year. These tax relief measures, many of which were included in job-creating bills such as the HIRE Act of 2010 and the Small Business Jobs Act of 2010, will benefit millions of individuals and small businesses. According to the non-partisan Congressional Budget Office and Joint Committee on Taxation, this tax relief will save taxpayers up to \$950 billion over 10 years.

"Millions of Americans will see tax cuts in this and coming years because of the tax relief we fought to enact last year," said Baucus. "Families and small businesses are already putting these tax credits to work, creating jobs and reviving cities and towns in Montana and across the country. Over the next year we will continue to enact tax relief for working families and small businesses to help folks make ends meet and continue to create the jobs our economy needs."

The Finance Committee has jurisdiction over tax policy. The list of individual and small business tax relief measures enacted last year follows here:

## Tax Cuts for Individuals and Small Businesses Enacted in 2010

#### H.R. 2847 Hiring Incentives to Restore Employment Act

- New Jobs Payroll Tax Exemption. The HIRE Act offers an employer exemption from Social Security payroll taxes for every worker hired after February 3, 2010 and before January 1, 2011 that had previously been unemployed for at least 60 days. The law also allows an additional \$1,000 income tax credit for every new employee retained for 52 weeks to be taken on the employer's income tax return. Total tax relief: \$13.038 billion
- Expanding Build America Bonds. The law allows state and local governments to borrow at lower
  costs to finance more infrastructure projects and put people to work. Total tax relief: \$4.561
  billion
- **Section 179 Expensing.** The law allows taxpayers to write off more of the cost of purchases for their business, such as equipment and machinery, for purchases made in 2010. Total tax relief: \$35 million

Tax relief subtotal from these provisions from the HIRE Act: \$17.634 billion

#### H.R. 3590 Patient Protection and Affordable Care Act

- Small business tax credit. The law creates tax credits to help small businesses provide health insurance for their employees. For 2010 through 2013, eligible employers will receive a tax credit for up to 35% of the amount the employer paid for the employee's premium. For 2014 and later, eligible employers who purchase coverage for their employees through new health insurance exchanges can receive a tax credit for two years of up to 50% of the amount the employer paid for the employee's premium. Total tax relief: \$37 billion
- Extension of the adoption credit. The law makes the child adoption credit refundable, increases the threshold for qualifying expenses, and extends the credit through 2011. Total tax relief: \$1.2 billion
- Investment credit for therapeutic research. The law creates a new, nonrefundable tax credit worth 50 percent of qualified investments in research to improve medical care. Total tax relief: \$900 million
- Healthcare provider student loan repayment exclusion. The law excludes from taxable income
  payments made under any state loan repayment or loan forgiveness program intended to
  provide health care services to underserved areas. Total tax relief: \$100 million
- Exclusion of health benefits provided by Indian Tribal Governments. The law excludes from gross income the value of specified Indian tribe health care benefits.
- **Health coverage tax credit.** The Patient Protection and Affordable Care Act provides tax credits for middle and low-income individuals and families to purchase health insurance through new health insurance exchanges. This provision will go into effect in 2014. Total tax relief: **\$107 billion**

Tax relief subtotal from these Affordable Care Act provisions effective in 2010: \$39.2 billion

Tax relief subtotal from these provisions from the Affordable Care Act: \$146.2 billion

#### H.R. 5297 Small Business Jobs Act of 2010

- One-year extension of bonus depreciation. The law extends through 2010 bonus depreciation, which allows businesses to immediately write-off 50 percent of the cost of depreciable property. Total tax relief: \$5.454 billion
- Increase in Section 179 Expensing and Expansion to Certain Real Property. The law allows taxpayers to write off more of the cost of purchases for their business, such as equipment and machinery, for purchases made in 2010 and 2011. The legislation also expands the types of purchases that would qualify for special expensing to include some types of real property, such as leasehold, retail and restaurant improvements. Total tax relief: \$2.177 billion

- **Deductibility of Health Insurance for the Purposes of Calculating Self-Employment Tax.** The law allows self-employed individuals to deduct health insurance costs for purposes of paying the 2010 self-employment tax. Total tax relief: **\$1.919 billion**
- General Business Credit Carried Back Five Years, Not Subject to AMT. The law reduces the tax burden for small businesses by allowing them to carry back general business tax credits from 2010 to offset their tax burdens from the previous five years. Small businesses will also be able to count the general business credits from 2010 against the Alternative Minimum Tax (AMT). Total tax relief: \$1.084 billion
- 100% Exclusion of Small Business Capital Gains. The law allows investors to exclude the gains from the sale of certain small business stock from their income for tax purposes if the stock is held for more than five years. Total tax relief: \$518 million
- **Deduction for employer provided cell phones.** The law makes cell phones fully deductible for businesses as a business expense and does not require employees to treat personal use as taxable income. Total tax relief: **\$410 million**
- Increased Deduction for Start-up Expenditures. The law doubles the amount of start-up expenditures that may be deducted by someone starting a small business in 2010, making it easier for new businesses to open. Total tax relief: \$230 million
- Modify Section 6707A Penalty. The law prevents small businesses from incurring the maximum tax penalties aimed at large corporations and wealthy individuals investing in tax shelters. Total tax relief: \$176 million

Tax relief subtotal from these provisions in the Small Business Jobs Act: \$11.968 billion

### H.R. 4853 Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

- The Alternative Minimum Tax. The law provides Alternative Minimum Tax (AMT) relief in 2010 and 2011 by increasing the exemption amounts and extending AMT relief for nonrefundable personal credits to hold harmless the number of taxpayers subject to the AMT at 3.9 million. Total tax relief: \$136.676 billion
- **Estate and Gift Tax Relief.** The law prevents the estate and gift tax from reverting to pre-2001 levels for two years, setting a \$5 million exemption and a 35 percent rate. The law also re-unifies the gift and estate taxes and provides for the portability of exemption between spouses. Total tax relief: **\$68.149 billion**
- Bonus depreciation. The law extends and temporarily increases bonus depreciation for investments in new business equipment. For investments placed in service after September 8, 2010 and through the end of 2011, the law provides for 100 percent bonus depreciation, and for investments placed in service in 2012, it provides for 50 percent bonus depreciation. The law also allows taxpayers to elect to accelerate some AMT credits in lieu of bonus depreciation for taxable years 2011 and 2012. Total tax relief: \$21.522 billion

- **R&D credit.** The law extends for two years (through 2011) the research and experimentation credit. Total tax relief: **\$13.272 billion**
- **Deduction of state and local sales tax.** The law extends for two years (through 2011) the election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes. Total tax relief: **\$5.536 billion**
- **Deduction for qualified tuition and related expenses.** The law extends for two years (through 2011) the above-the-line deduction for qualified tuition and related educational expenses. Total tax relief: \$1.161 billion
- Indian employment credit. The law extends for two years (through 2011) the business tax credit for employers of qualified employees that work and live on or near an Indian reservation. Total tax relief: \$102 million
- Accelerated depreciation for business property on an Indian reservation. The law extends for two years (through 2011) the placed-in-service date for the special depreciation recovery period for qualified Indian reservation property. Total tax relief: \$41 million
- Employer wage credit for activated military reservists. The law extends for two years (through 2011) the tax credit for eligible small business employers equal to 20 percent of differential wage payments to activated military reservists (up to \$20,000 per reservist). Total tax relief: \$3 million
- Reductions in Individual Income Tax Rates. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act extends the lower individual income tax rates enacted in 2001 and continues the allowance of itemized deductions for certain taxpayers through 2012. Total tax relief: \$207.510 billion
- Temporary payroll tax reduction. The law provides a payroll/self-employment tax holiday during 2011 of two percentage points. This means employees will pay only 4.2 percent on wages and self-employed individuals will pay only 10.4 percent on self-employment income up to \$106,800. Total tax relief: \$111.653 billion
- The Child Tax Credit. The law extends for two years both the expanded child tax credit created in the 2001 tax cut legislation and the lower threshold above which taxpayers can count earnings when determining refundablity, which was included in the American Recovery and Reinvestment Act. Total tax relief: \$91.440 billion
- Capital gains and dividends. The law extends the current capital gains and dividends rates for all taxpayers through 2012. Total tax relief: \$53.151 billion
- Marriage Penalty Relief. The law extends the marriage penalty relief created in the 2001 tax cut legislation. Total tax relief: \$26.872 billion

- The American Opportunity Tax Credit. The law extends the American Opportunity Tax Credit, which can be used to offset the cost of tuition and college expenses, for two years. Total tax relief: \$17.566 billion
- **Earned Income Tax Credit.** The law extends for two years the expansion of the Earned Income Tax Credit (EITC) created in the 2001 tax cut legislation. The law also extends the new tier of the earned income tax credit for families with three or more children and the additional marriage penalty relief, which was included in the American Recovery and Reinvestment Act. Total tax relief: \$15.723 billion
- Exclusion for employer provided education assistance. The law allows employees to continue to exclude up to \$5,250 for expenses incurred by the employer for educational assistance to the employee through 2012. Total tax relief: \$1.914 billion
- Student loan interest deduction. The law extends for two years the expanded student loan
  interested deduction which increases the income phase-outs and eliminates the 60-month
  limitation on receiving the deduction. Total tax relief: \$1.254 billion
- Temporarily extend the expanded dependent care credit. The law extends for two years the changes to the dependent care credit made in 2001, which increased the amount of eligible expenses for two or more children and increased the applicable percentage from 30 percent to 35 percent. Total tax relief: \$600 million
- Adoption tax credit and adoption assistance programs exclusion. The law extends for an
  additional year, through 2012, the increased adoption credit amount and the exclusion for
  employer-assistance programs as passed in the 2001 tax cut legislation. Total tax relief: \$315
  million
- Section 179 expensing. Generally, certain taxpayers may write off the cost of purchases for their business, such as equipment and machinery, in the year the purchase is made, subject to a maximum dollar amount and phase-out threshold. The law extends an increase to \$125,000 of the maximum amount that may be expensed and a phase-out threshold of \$500,000 for purchases made in taxable years beginning in 2012. Total tax relief: \$307 million
- Work opportunity tax credit (WOTC). The law extends the WOTC program, which allows
  businesses to claim a credit for wages paid to new hires of one of nine targeted groups. These
  groups include members of families receiving benefits under the Temporary Assistance to Needy
  Families (TANF) program, qualified veterans, designated community residents, and others. Total
  tax relief: \$162 million
- Eliminate tax on national health services awards. The law eliminates taxes on awards under the National Health Service Corps Scholarship program and the F. Edward Herbert Armed Forces Health Professionals and Financial Assistance Program. Total tax relief: \$70 million
- Temporarily extend the credit for employer expenses for child care assistance. The law extends the tax credit for employers to acquire, construct, rehabilitate or expand child care facilities through 2012. Total tax relief: \$58 million

• Increased Coverdell education savings accounts (ESAs). The law extends the increased annual contribution limit for Coverdell ESAs to \$2,000 and expanded applicability of ESAs. Total tax relief: \$32 million

Tax relief subtotal from these provisions effective in 2010 in the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act: \$246.46 billion

Tax relief subtotal from these provisions in the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act: \$775.089 billion

Total tax relief for small businesses and individuals enacted and effective in 2010: \$315.262 billion

Total tax relief for small businesses and individuals enacted in 2010: \$950.891 billion

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